

PRESIDENT'S ADVISORY  
Submitted to: PANEL  
ON FEDERAL TAX REFORM

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**President's Advisory Panel  
on Federal Tax Reform**

by

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Comments contained herein are solely the thoughts and opinions of the author, without acting as a representative for any organization or party.

Thank you for providing the opportunity for public input into the important task you are undertaking in studying the prospect of modifying the taxation process for our nation. There can be little doubt that the system presently in existence falls far short of public confidence or benefit, a condition which is historically destructive to social tranquility. As your thoughts search for direction to chart our nation into the future, it is well to be mindful of the fact that taxation is a double edged sword, which not only provides necessary revenue for the support of our government, but also can restrict growth of the subject being taxed. Whatever conclusions that may come as a result of your efforts, I pray that your first consideration will be to Constitutional principle.

There is large and growing portion of our society, author included, that find our present taxation system not only burdensome and inefficient, but also conducted in a manner which is detrimental to Constitutional principle. This opinion finds credibility in examination of irrefutable facts, based on legal opinions and philosophical considerations. This document is intended to bring awareness to the problematic areas that bring dispute to our system of taxation, and it is prayed that any recommendations inspired by your study will give consideration to the herein expressed opinions.

We know the history of our beginnings of this nation, in which our Founding Fathers, created for posterity, a nation in which the liberties endowed by our Creator are protected from governmental interference. In protecting these rights, those founders of our nation created a form of government in which the individual's rights find first consideration when intermingled with the necessities of government. We have loyally defended those rights and boasted their existence to the world, yet in reality, have in our taxation process, caused erosion to those protected rights. We have, for the purpose of expediency, or whatever well intended purpose, allowed an agency of that government to use quasi-law procedure to administratively avoid Constitutional limitations. It cannot be seriously argued that any erosion of our liberties is not a cause for alarm, and that such action is not a detrimental to our social tranquility. Future historians should never be able to conclude that deterioration of our liberties, or our nation as a whole, was

resultant of our government finding itself unable to operate without the exclusion of guarded rights of the individual.

The history of income tax reveals a rocky road for our government. It has found many suits of litigation since its inception, and remains today under constant challenge with respect to interpretation and application. Even though the constitutionality of an income tax, in general, has been well established through opinions rendered by our courts, the ambiguous and complex nature of USC Title 26, finds heavy dispute between the agency charged with the duty of collecting the tax, and taxpayers. The complexity of the Internal Revenue Code contributes heavily to the inefficiencies demonstrated in the collection of the taxes. The time and money expended on the collection of this tax through legal process deprives our government of revenues which could be directed to more worthwhile causes, and likewise is costly to the taxpayers and our nation as a whole. These facts, combined with the fact that there is a large portion of our society that completely escapes any taxation, brings it apparent that the income tax, as presently administered, not only threatens social tranquility, but is monetarily costly to all parties as well.

While the collection process boasts of quasi-law powers, that escape the constraints of limitations of our U.S. Constitution, the application of an income tax against the compensation for the act of labor in itself exceeds what our U.S. Supreme Court has held is "income" within the taxation powers granted in the 16<sup>th</sup> Amendment. This is verifiable in the examination of a number of known and established facts. Firsthand, the right to work is a God given right, protected by our U.S. Constitution. It necessarily follows that from this act of labor, there is an obligation to be compensated for that act. In other words, there is an equal exchange of labor for compensation. Our courts have long held to this axiom, and have further held that income and compensation are not synonymous in either nature or definition.

In upholding the constitutionality of the Sixteenth Amendment to our U.S. Constitution, the U.S. Supreme Court has rendered opinion as to what is, and what is not income under the authority of the amendment. The Court held that to meet limitations of the amendment, the application of the tax is limited to a tax against *income* (profit or gain), while the *source* from which

it is derived escapes any taxation authority inferred by the amendment.

The taxation of compensation for the act of labor of a citizen working in the United States, not only causes the taxation of a constitutionally guarded right, but places this compensation in the strange and unique character of being classified as **gross income** derived from a **source**, which is neither identified, nor otherwise considered, within the parameters of USC Title 26. Simultaneously, compensation for labor becomes gross income derived from an unnamed source, and income without consideration to depreciations or costs incurred in obtaining this compensation, which are given to all other forms of gross income. This theory disregards any and all uniformity requirements of the taxation process. With consideration to these stated truths, and with deference to constitutional principle, causes wonderment as to the lawful process that exists to tax the compensation for labor of an individual while in the exercise of that God given, Constitutionally guarded right.

It would be my recommendation to continue an income tax against business or investment proceedings, implemented under a more simplified procedure, while looking to another method from which the wage and salary population contribute to the taxation process. As we are largely a nation of consumers, it would seem logical to initiate a national sales tax, or value added tax, from which the citizens would be relieved of the burdensome and expensive process found in the paperwork and legal proceedings involved in our present system. Further, this would eliminate dispute of constitutional principle, and provide an efficient method of taxation while simplifying the collection process.

As you make recommendations for this important function of our government, I hope you will give considerations to the preceding facts and truths stated herein; and upon request, I will supply court decisions or other authorities to substantiate the stated position. While it is recognizable that the power of taxation must proceed without falter to maintain the necessities of our government, it can not be ignored that erosion of our constitutional principles from within threatens our liberties with the same certainty we have been forced to realize by the activities of outside invasions.